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ABSTRACT

To meet statutory and policy requirements regulating education in West Virginia, the state superintendent, supported by educational organizations, has suggested that the legislature change the current foundation formula to one based on educational needs. The needs-based approach would focus primarily on the number of personnel needed to carry out state-mandated programs. In the current formula, "normal" children are counted once and "exceptional" children are counted three times to determine a district's adjusted enrollment and state subsidies for personnel. The needs-based approach specifies required personnel for a certain number of net pupil enrollments in grade levels and instructional categories. Support, service, and administrative personnel are similarly based on overall district enrollment. Comparison reveals that the needs-based plan would require more personnel and more state money than the current formula. In fiscal year 1993, personnel needs would increase by 743 positions at a cost increase of approximately $45 million. Since the governor has recently ordered statewide school district budget cuts, an increase in school funding seems unlikely. The proposed funding formula change could help the state achieve some of its educational goals but may result in unanticipated cost increases that will be viewed unfavorably in a state experiencing sustained economic decline. (11 references) (Author/MLH)

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COMPARING the MERITS

of

FOUNDATION versus NEEDS-BASED FINANCING

in

WEST VIRGINIA

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Running Head: FINANCING WV SCHOOLS: COMPARING METHODS

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ABSTRACT

In order to meet statutory and policy requirements regulating education in West Virginia, the state superintendent, supported by educational organizations, has suggested that the legislature change the current foundation formula to one based on educational need. Termed needs-based, the approach would focus primarily on numbers of personnel needed to carry out state-mandated programs.

The fundamental change from the current seven-step foundation formula is in the way the ratio of school personnel per pupil is calculated. In the current formula, "normal" children are counted once and "exceptional" children are counted three times to determine a district's adjusted enrollment. The state subsidizes personnel based upon this adjusted enrollment.

The needs-based approach is patterned after the instructional or classroom unit in that it specifies required personnel for a certain number of pupils in net (head count) enrollment in grade levels and instructional categories. Support, service, and administrative personnel are similarly based on overall district enrollment.

Comparison of the two plans reveals that the needs-based plan would require more personnel and more state money than the current foundation formula.

Totally, in fiscal year 1993, personnel needs would increase by 743 positions at a cost increase of approximately $45 million. The governor has recently ordered state-wide school district budget cuts; an increase in school funding does not seem propitious.

Analyses of the two systems by the researchers have revealed that the proposed change in the formula could assist the State in attaining some of its educational goals, but may result in unanticipated cost increases which will be looked upon unfavorably in a state experiencing sustained economic decline.

Comparing the Merits of Foundation versus Needs-based Financing in West Virginia

In 1979, the West Virginia Supreme Court decided that the state's public school support plan might be in violation of the state's constitutional mandate for a" thorough and efficient" system of free schools (Pauley v. Kelly, 1979). The high court, citing that education funding is second in priority only to the state debt reduction, remanded the case to a trial court for an evidentiary hearing. The trial judge in 1982, after extensive testimony, found the public school support plan to be unconstitutional and ordered a major reform of all aspects of public education (Pauley v. Bailey, 1982).

Education reform in West Virginia has been underway ever since the decision and has resulted in a formidable array of reports, policies, and legislation. To further complicate matters, the Supreme Court of Oregon (Coalition for Equitable School Funding v. State, 1991) recently ruled in a case very similar to Pauley v. Bailey that the state constitution's provision for a "uniform and general education" implies a "floor or minimum educational program." Furthermore, "state law requires meeting minimum state standards. The fact that some districts, with local voter approval, maintain a program going beyond state standards does not establish that the "privilege" of a more costly education is thereby created or "granted" within the constitutional meaning of "privilege"." This attempt to separate quantity from quality puts more responsibility on districts to obtain local funding.

In an effort to define quality education standards for public education in West Virginia, the legislature passed The Education Reform Bill of 1990 which set forth educational goals for the state to meet by the year 2000. The goals are remarkably similar to the national goals enunciated in the federal publication America 2000: An Education Strategy (1991). Briefly, the state goals

are: (a) first grade readiness, (b) equal education opportunity, (c) improved student performance, (d) ninety percent graduation rate, (e) high school graduates prepared for gainful employment and/or higher education, and (f) adult literacy.

The burden of meeting these goals falls heavily upon education professionals. However, their numbers are shrinking with reductions mandated by the state legislature. For the calendar year 1991, West Virginia was one of only two states in a 28-state bureau of employment study (Gursky, D. 1992) to show smaller school payrolls every month compared with the previous year.

Current Basic Foundation Formula

West Virginia's current foundation program (Total state basic foundation program, W.V. Code 1990) contains seven allowance steps: Step (1) professional educators; Step (2) service personnel; Step (3) fixed charges; Step (4) transportation costs; Step (5) administrative costs; Step (6) other expenses and substitutes; and Step (7) instructional improvement.

Most of the money is allocated under Steps 1 and 2 in meeting state minimum salaries for professional and service personnel. The total foundation amount was 809.2 million dollars in fiscal year 1991 with 56 percent and 21 percent allocated for professional and service personnel, respectively. The remaining five foundation allowances for fixed costs and supporting services are based on mathematical relationships to personnel allowances. Note that Steps 1 and 2 are not only critical because they represent the bulk of the foundation allowances, but also because there is a multiplier effect on the other five step allowances when allocations are increased in these two personnel categories. For every dollar to underwrite Steps 1 and 2, approximately 30 cents additional are required to fund the remaining five steps.

For the 809.2 million dollars of fiscal year 1991, the local share was 149.6 million dollars (18.5 %) and the state subsidy was 659.6 million dollars (81.5 %). These amounts do not take into account funds from optional, voter-approved local property tax levies. Table 1 summarizes the seven steps in the foundation formula together with 1990-91 dollar allocations.

Table 1. West Virginia School Foundation Program - Fiscal Year 1991

STATE TOTALS	Net Enrollment = 304,875.00 Adjusted Enrollment = 423,858.42			
ALLOWANCES FOR:	STEP	STATE CODE	($) ALLOCATION	DESCRIPTION
Educators	1	18-9A-4	454,682,645.84	Minimum salary (18A-4-1A).Limits per adjusted enrollment.
Service Personnel	2	18-9A-5	167,518,766.90	Minimum salary (18A-4-1).Limits per adjusted enrollment.
(Net Ratios)		18-9A-5a		Establishes maximum ratios based on net enrollment.
Fixed Charges	3	18-9A-6	51,640,196.39	Steps 1 and 2 amounts x (ss rate) + (.04) for unemployment comp.
(Teacher's Retirement Fund)		18-9A-6a		Steps 1 and 2 amounts x .15
Transportation	4	18-9A-7	25,022,923.99	No salaries, 80 % of maintenance and operation cost. 100% insurance premiums 10% of current replacement value of bus fleet. Contracted and in-lieu service and transport to multi-county vo-tech schools.
Administration (Regional Educational Service Agency)RESAs	5	18-9A-8 18-9A-8a	3,214,278.65	No. professional educators x $150. 44 % to RESAs, 56 %

Table 1. (continued)

Allowances For:	Step	State Code	($) Allocation	Description
Other Expenses	6	18-9A-9	78,337,676.57	Current expense: 10% of Steps 1 and 2; prof. substitutes: 2.5% of Step 1; service substitutes: 2.5% of Step 2; Faculty Senate: $200 per instructional personnel; district needs: $500,000 (for 90-91 only).
Instructional Improvement	7	18-9A-10	28,800,000.00	Distribution: 20% on adjusted enrollment (minimum of $150,000 per district; basic resource adjustment: $21.4 million; allocations to special education, school building fund and State Department of Education.
TOTAL FOUNDATION		18-9A-12	809,216,488.34	
Local Share		18-9A-11	149,642,825.00	18.49 %
State Share		18-9A-1:	659,573,663.34	81.51 %

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Source: West Virginia Department of Education

In recent years, the legislature in each session has amended the basic foundation law with the effect of reducing the state subsidy for teachers, administrators, and service personnel. For many years the state subsidy allowed for 55 professional educators and 34 service personnel per 1,000 pupils in adjusted enrollment. As seen in the following discussion, current personnel allowances are less generous.

Adjusted enrollment is computed from net enrollment (head count) and adding two more pupils to the count for each pupil who qualifies for special education, exceptionally gifted, and advanced placement programs. To discourage districts from "loading up" with their triple count pupils, the state subsidy sets maximum ratios based on net (head count) enrollment: 76 professional personnel per 1,000 pupils and 45 service personnel per 1,000 pupils.

The legislature, for fiscal year 1991, reduced the subsidy ratio of professional educators to 53.5 from 55 per 1,000 pupils in adjusted enrollment. The intent was to ensure staff reductions which were consistent with enrollment decline. The reduction further provided that 50 of the 53.5 professional personnel must be instructional personnel, and only 3.5 may be administrators, a conscious effort to reduce the number of administrators, particularly in central offices. The decrease in state support, combined with an enrollment decline of over 43,000 pupils since 1983, has yielded significant reduction in force. In fiscal 1991, over 580 professional positions were eliminated (West Virginia Department of Education, 1991).

PROBLEM STATEMENT

The West Virginia Department of Education, in cooperation with state education associations, has proposed that the year 2000 goals can realistically be achieved only if the current school foundation formula is revised based on education program needs (needs-based) rather than pupil head count. To that end, the state superintendent of schools, on January 5, 1992, presented the Needs-Based Formula Final Recommendations (Marockie, H. 1992) to the "Special Combined Study Committee on the School Support Formula." This group was comprised of members from both houses of the legislature and the state board of education. It is anticipated that lawmakers, with this proposal on the table, will again tinker with steps in the foundation formula during the 1992

legislative session. The question that should ultimately be addressed is whether the needs-based formula does a better job of fulfilling the educational needs of the students in West Virginia than the current foundation funding.

Proposed Needs-Based Formula

Proponents of a "needs-based" formula seek to establish a direct relationship between services required of the schools and the support provided by the state. The rationale is to develop a funding formula which will consider the numbers of personnel to meet the needs of the students and to affect education requirements and reforms enacted by the legislature, the state board of education, and judicial mandates. It also considers allowances for individual county needs (Marockie, H. 1992).

In a recent address to a meeting of the state school board associations and school administrators , Mr. John Cook, former Executive Assistant to the State Superintendent of Schools and project director for the development of the Needs-Based Formula, explained the rationale behind the new funding strategy (Cook J. 1991). Citing the current foundation formula's allowances, he indicated that there was no basis for the original figure of 55 personnel per 1,000 adjusted enrollment which left further reductions open to legislative arbitrariness. " Until we can evidence to the legislature what we need and show that there are consequences to further reductions -- any number is as good as another." Cook argued that the school funding formula has remained essentially unchanged since 1971 despite many subsequent changes in program standards and personnel laws. Table 2 presents a summary of the professional personnel requirements under the proposed Needs-Based Formula.

ANALYSIS

The Needs-Based Formula proposal (Marockie, H. 1992) concentrates on Steps 1 and 2 of the present school foundation formula. The professional educators

category, which includes all administrators, is referred to as "professional personnel". The number of teachers needed is determined by state code class size limitations which is not considered a "needs-based" criterion. The needs-based formula does not recognize laboratory, advanced placement, remedial, or alternative learning programs which would all be considered needs-based from an educational perspective. In reviewing the ratios, it would appear that the cost of educating a child in kindergarten through second grade exceeds high school instructional requirements by a factor of 1.07. Requirements for special education teachers are based on average caseload. The special education caseloads are divided into seven instructional categories based upon state board policy. The seven categories are: (a) regular education (full-time and part-time); (b) separate class; (c) out of school environment; (d) speech therapy; (e) physical therapy; and (f) occupational therapy. By including physical and occupational therapists, the formula maximizes the Medicaid assistance that can be obtained from the federal government. However, a full-time special education student (category II) would require less than half the instructional personnel than the second grade student. Included in the teacher formulas are factors to compensate for a daily planning period and for an efficiency of scale (85 % as used by the School Building Authority). Professional support staff and school administrator requirements are modeled after North Central Association of Colleges and Schools standards with realistic fiscal modifications. Central office administrators are required in certain numbers based on administrative functions required by state law and are constant regardless of county size. The funding is described as "non-prescriptive" with authority to configure staffing at the county level.

Table 2. Needs-Based Step 1: Professional Personnel Allocations - FY 93

	Personnel Allocation	Ratio (pupils per professional)	Basis
TEACHERS			
PreK-2	3,690.29	16.93	Adjusted Class Size
3-5	4,059.63	18.16	
6-12	9,717.43	18.16	
Special Ed.	3,254.54		
Category: I		23.38	Adjusted Case Load
II		7.81	
III		5.95	
IV		42.00	Adjusted Case Load
V		21.00	State-wide
VI		24.00	
Total Teachers = 20,721.89			
SUPPORT			
Counselor	568.61	550	Modified North
Library/Med.	390.85	800	Central Association
Nurses	125.07	2,500	recommendations based
Psychologist	89.34	3,500	upon enrollment
Attendance	78.15	4,000	
Total Support =	1,252.02		
ADMINISTRATORS			
Total School Administrators =	1,137.10	275 pupils per administrator	
Central Office Administrators:			
Superintendent	55	any enrollment	Mandated by Law
Business	55	any enrollment	
Assist. Super.	62.25	RATIOS: 1 each for first 10,000 enrollment	
Directors:		2 each for 10,000 to 24,499	
Administration	115.99	3 each for 25,000 plus	
Curriculum	151.40		
Directors:		RATIOS: 1 each for every 25,000	
Special Ed.	69.38		
Vocational	32.59		
Pupil Pers.	28.34		
Total Central Office Admin. = 569.97			
TOTAL PROFESSIONAL PERSONNEL = 23,680.98			

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Source: West Virginia Department of Education

Funding requirements for service personnel follow the professional rationale and are summarized in Table 3.

Table 3. Needs-Based Step 2: Service Personnel Allocations - FY 93

Total Office Staff = 2,020.60

	Ratios(personnel to pupils)	Basis
K-4 Secretaries (Elementary)	0.5 to 150 1.0 to 300 1.5 to 600 2.0 to 900 2.5 to 1200 3.0 to 1400	Staffing Ratios from Schools in WV and requirements of the North Central Association of Colleges and Schools
5-8 Secretaries (Middle)	0.5 to 137 1.0 to 275 1.5 to 350 2.0 to 550 2.5 to 825 3.0 to 1100 3.5 to 1375 4.0 to 1650	
9-12 Secretaries (High School)	0.5 to 125 1.0 to 250 2.0 to 500 3.0 to 750 3.5 to 1000 4.5 to 1250 5.0 to 1500 5.5 to 1750 6.0 to 2000 6.5 to 2250	
Central Office Staff: Accountants/Clerks (minimum of 3)	1 per $ 6500 in revenue	Total amount of funding handled by the county.
Secretaries/Clerks	1 per superintendent, .75 per administrator.	

Total Aides = 2,021.09

Kindergarten	1 per 19.81 pupils	State and Federal regulations.
Special Education	1 per classroom	

Table 3. Service Personnel (continued)

(Aides)		
I.E.P.s	as required	Individualized Education Program (IEP) or Section 504 of Rehabilitation Act
Total Food Service Personnel = 2,476.00		
Cooks, Cafeteria Manager, Supervisor		13.5 meals per labor hour (production rate based on March 1991)
Total Mechanics = 295.13		
Chief Mechanic Mechanic, Assistant Mechanic	1.1 per 19 licensed vehicles	National School Transportation Conference formula (1.4 mechanics per 16 vehicles for all county owned) modified.
Total Maintenance Personnel = 805.67 Carpenter, Mason, etc.	Frozen at current level	Pilot study to be conducted to determine criteria.
Total Custodians = 2,471.01	Frozen at current level	Pilot study to be conducted.
Total Bus Operators = 2,992.17	Frozen at current level	Pilot study planned.

TOTAL SERVICE PERSONNEL = 13,081.67

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Source: West Virginia Department of Education

COMPARISON: FOUNDATION VIS-A-VIS NEEDS-BASED

The comparison of funding formulas which have different bases can be reduced to analyzing the outcomes. Calculating percent differences of the two formulas in terms of personnel is straightforward when utilizing actual data from fiscal year 92 and projected personnel figures for needs-based fiscal year 1993. These differences, shown in Table 4, are highest in professional support personnel and central office administrators. Both of these figures exceed

eight percent. Individual school administrators is the only category that does not increase. In the service personnel analysis, mechanics have the highest percent change while the number of aides is reduced overall. By assigning dollar amounts to personnel, based on current salary schedules, the total costs of the two formulas are compared in Table 5. An important item that is not included in the needs-based amount is the 30 cents of Steps 3 through 7 that accompany each dollar spent in Steps 1 and 2. The total of $ 36,118,289.39 would more accurately be represented by adding an additional thirty percent yielding a total needs-based formula cost of approximately $ 45 million. Another addition to the needs-based total would be the significant legislative costs of introducing and debating proposed changes.

Table 4. Needs-Based and Actual Personnel

	NEEDS-BASED	ACTUAL 1991-92	DIFFERENCE	%DIFF.
PROFESSIONAL PERSONNEL				
TEACHERS (TOT)	20,721.89	20,179.86	542.03	2.69
SUPPORT (TOT)	1,252.02	1,156.61	95.41	8.25
SCH.ADMIN.(TOT)	1,137.10	1,140.00	-2.90	-0.25
C.O. ADM. (TOT)	569.97	527.61	42.36	8.03
Total Professional	23,680.98	23,004.08	676.90	2.94

Table 4. (continued)

	NEEDS-BASED	ACTUAL 1991-92	DIFFERENCE	%DIFF.
SERVICE PERSONNEL				
OFFICE ST(TOT)	2,020.60	1,998.27	22.33	1.12
AIDES (TOT)	2,021.09	2,045.61	-24.52	-1.20
FOOD SERV.(TOT)	2,476.00	2,416.23	59.77	2.47
MECHANICS (TOT)	295.13	286.50	8.63	3.01
MAINT.(TOT)	805.67	805.67	0.00	0.00
CUSTODIANS(TOT)	2,471.01	2,471.01	0.00	0.00
BUS OPER. (TOT)	2,992.17	2,992.17	0.00	0.00
Total Service Personnel	13,081.67	13,015.46	66.21	0.51

Table 5. Needs-Based and Current Foundation Cost - FY 93

	NEEDS-BASED FORMULA	CURRENT FORMULA	DIFFERENCE	%DIFF.
PRELIMINARY COMPUTATIONS FISCAL '93				
PROFESSIONAL PERSONNEL	657,591,536.75	622,696,642.94	34,894,893.81	5.60
SERVICE PERSONNEL	188,748,247.64	187,524,852.06	1,223,395.58	0.65
TOTALS	846,339,784.39	810,221,495.00	36,118,289.39	4.46

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Source: West Virginia Department of Education

CONCLUSIONS AND RECOMMENDATIONS

This comparison of the two plans reveals that the needs-based formula would require more personnel and more state money than the current foundation formula. For fiscal year 1993, personnel allocations would increase by 743 positions at a cost of approximately 45 million dollars if the needs-based formula were implemented. The governor has recently ordered state-wide school district budget cuts; an increase in school funding does not seem propitious. The chairperson of the West Virginia Senate Education Committee, Sondra Lucht, is quoted as saying that she'd rather leave the formula alone if the alternative is more "empire-building" ("Marockie Mistake", 1992). Conversely, the chairman of the House Education Committee, Percy Ashcraft, called the needs-based proposal "a good place to start" ("State Board", 1992). Overall, the plan is viewed by the public as unrealistic for a state experiencing reduced enrollment and sustained economic decline.

Changing from the current foundation plan to the "needs-based" plan will necessitate significant legislative costs and will be open to much debate from interest groups. Constitutional issues of equal protection remain unanswered.

Conclusions of this study indicate that the proposed plan has forced the state to examine educational standards that have been part of policy for years but were largely ignored in funding issues. The concept of "needs-based" should now be developed in terms of measurable education goal attainment. By examining the program needs, the state board must consider the increasing role of the district in securing funding. The proposed needs-based formula does not stand a chance of legislative review in its current form. A focus on the educational experience of the student and the educational goals for the year 2000 will not only make the proposal more palatable to the public but also a valuable tool in planning for the future funding of public schools in West Virginia.

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